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Strategic Investment Scoops the CIA

Dramatic events in April brought proof that *Strategic Investment's* intelligence judgments are not only accurate, they are sometimes superior to those of the U.S. government. The March issue of *SI* gave you advance warning that the 16-year regime of Jaafar Nimeiry was about to be overthrown in Sudan. Our report concluded: "expect the Army to depose him soon." That happened on April 6. Unfortunately, top American intelligence officials did not agree with the *SI* assessment. They put a report on President Reagan's desk saying that Nimeiry could hold onto power. Nimeiry was invited to the White house for an official visit. In fact, he was in Washington when the Army moved to depose him.

Developments in the Sudan are ominous for several reasons. First of all, the new government will move away from the United States and Egypt to a policy of friendship with Libya, Marxist Ethiopia, and the Soviet Union. Hours after Army commander, Gen. Abdul Rahman Swar Al-Dahab overthrew Nimeiry, Libya was the first nation to recognize the new government. Dictator Muammar Qaddafi boasted, "Sudan is ours." Whether the new government likes it or not, it will have to move to the left to find a solution to the bloody and expensive guerrilla war being waged in the South by the Sudan Peoples Liberation Army.

Sudan has been spending \$300,000 per day to fight the insurgency. It is now too broke to continue. But negotiating an end to the conflict means persuading Garang's backers—Qaddafi, Ethiopia and the Kremlin—to withdraw support. At a minimum, this will require Sudan to abandon its pro-Egyptian and pro-U.S. policy. That means Sudan will back away from the Camp David peace process and end sanctuary for Eritrean rebels battling the government in Ethiopia. The resulting shift of power toward the left in the Horn of Africa will place pressures on Egypt. It could even lead to a war between Egypt and Libya. President Mubarak will not allow Qaddafi to threaten Egyptian security by gaining control of the Upper Nile—not without a fight. This is a potentially explosive situation.

It is too early to tell how rapidly events will move. Gen. Al-Dahab is regarded as something of a "plodder" in intelligence circles. The inside view is that other officers who worked with him in plotting the overthrow will emerge, possibly in another coup. Islamic extremists more closely allied to Qaddafi are also angling to seize power.

Another feature of this crisis that you should take note of: the new government has decisively broken with the IMF, repudiating its austerity program. Food subsidies removed by Nimeiry at IMF insistence have been reinstated. Look for more examples of Third World governments defaulting on debts rather than sticking to unpopular austerity programs.